



State of Utah

DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

Michael O. Leavitt
Governor

Ted Stewart
Executive Director

James W. Carter
Division Director

355 West North Temple
3 Triad Center, Suite 350
Salt Lake City, Utah 84180-1203
801-538-5340
801-359-3940 (Fax)
801-538-5319 (TDD)

January 8, 1996

TO: Board of Oil, Gas and Mining

THRU: James W. Carter, Director *[Signature]*

THRU: D. Wayne Hedberg, Permit Supervisor/ Lowell P. Braxton, Associate Director *[Signature]*

FROM: Anthony A. Gallegos, Senior Reclamation Specialist *[Signature]*

RE: Request for Board Approval, Amount and Form of Replacement Reclamation Surety, Kennecott Utah Copper Corporation (KUCC), Bingham Canyon Mine-UCD Modernization, M/035/011, Salt Lake County, Utah

The Division seeks Board approval of the amount and form of replacement reclamation surety provided by KUCC for the Bingham Canyon Mine-UCD Modernization, located in Salt Lake County, Utah. The form of surety is a surety bond, with both American Home Assurance Company and United States Fidelity and Guaranty Company for the amount of \$10,429,000. There are no changes to the approved mining and reclamation plan associated with this replacement surety. This matter is presented to the Board due to a change in the surety company, and a change in the surety amount due to the Division's adjustments for escalation.

Attached for your review are copies of the following documents:

1. Summary checklist
2. Location map
3. Executive summary
4. Reclamation surety estimate
5. Reclamation Contract (From MR-RC)
6. Surety bond (Attachment B - MR Form 5)

Thank you for your time and consideration of this request.

jb
Attachments
M035011.BRD



DOGM MINERALS PROGRAM

Checklist for Board Approval of FORM AND AMOUNT OF SURETY

Prepared January 8, 1996

Company Name Kennecott Utah Copper
 Mine Name UCD Modernization Project
 File No. M/035/011

Items	Provided		Remarks
	Yes	No	
Executive Summary	X		Old version still in effect, no changes
Location Map	X		
Reclamation Bond Estimate	X		Escalated to 2000 dollars
Signed Reclamation Contract	X		
Signed Power of Attorney/ Affidavit of Qualification	X		
Bond/Reclamation Surety	X		
Surety Sign Off (Other State/Federal Agencies)		X	Not applicable

UCD MODERNIZATION PROJECT

KENNECOTT LAND

BARNEYS CANYON
MINE

NORTH BC
SOUTH
MELCO
MINE

UCD MODERNIZATION PROJECT
COPPERTON
CONCENTRATOR

SOUTH BC
SOUTH

Copperton

BINGHAM PIT
& DUMPS

Salt Lake City
11.7 mi.



0 1 2
MILES

LOCATION MAP

KENNECOTT UTAH COPPER

EXECUTIVE SUMMARY

Revised January 8, 1996

Mine Name: UCD Modernization Project-Phase II, Grinding/Milling Plant, Ore Conveyor and Pipeline Construction Activities

I.D.No: M/035/011

Operator: Kennecott Utah Copper

County: Salt Lake

P. O. Box 525

New/Existing: New Revision to Existing Mine

Bingham Canyon, Utah 84006-0525

Mineral Ownership: Private

Telephone: (801) 569-6555

Surface Ownership: Private

Contact Person: Frederick Fox

Lease No.(s): None Life of

Mine: Unspecified

Permit Term: Life of Mine

Legal Description: (of revision) Grinding Pit - SW1/4 Section 5 and SE1/4 Section 8 and Section 5, T3S, R2W, SLBM; Ore Conveyor - portions of Section 6, 7 and 18, T3S, R2W, SLBM; Pipeline corridor - portions of Section 5 and 6, T3S, R2W, Sections 6, 7, 8, 16, 17, 21, 28, 29 and 32, T2S, R2W, and Section 31, T1S, R2W, SLBM

Mineral(s) to be Mined: Copper/Molybdenum

Mining Methods: Typical surface strip mining techniques (shovel & truck)

Acres to be Disturbed: 163 Acres (Phase I), plus 425 Acres (Phase II)

Present Land Use: Wildlife, agricultural and mining

Postmining Land Use: Native rangeland, wildlife, grazing

Variances from Reclamation Standards (Rule R613) Granted: R647-4-109.8 Roads and Pads and R647-4-109.12 Soils

Soils and Geology:

Soil Description: Clay loam (surface soil, 0-12 inches), Clay to a clay loam (subsurface soil, 12-60 inches)

pH: 6.2 (average of surface soil), 7.6 (average subsurface soil)

Special Handling Problems: Low erosion hazard, relatively flat topography.

Geology Description: East flank, northern Oquirrh Mountains Grinding Plant underlain by Harkers Alluvium (Pleistocene). Harkers is overlain by Mid-late Pleistocene Lake Bonneville lacustrine deposits and by Late Pleistocene to recent alluvial fan deposits, stream gravels, valley fill and talus deposits, all are underlain by bedrock consisting of laharc breccia Bingham Sequence: Curry Peak, Freeman Peak, Kirkman-Diamond Formations)

Hydrology:

Ground Water Description: Principle aquifer occurs @350-500 feet below surface of overall project area. Local perched aquifers encountered in 1 of 56 bore holes @35 feet. Anticipated minor amounts perched

groundwater aquifers may be encountered excavating in Harkers Alluvium near bedrock contact and in recent alluvium of major drainages crossing the tailings pipeline corridor.

Surface Water Description: The tailings pipeline corridor will cross approximately 50 drainage channels including: Barney's Canyon, Harkers Canyon, Coon Canyon and Little Valley Wash (principal drainages). Retention ponds proposed to handle surface runoff from the new grinding plant/concentrator area.

Water Monitoring Plan: A groundwater monitoring plan has been approved by the Division of Environmental Health to monitor potential impacts to the groundwater regime in the project area. DOGM concurs with the proposed monitoring program.

Ecology:

Vegetation Type(s); Dominant Species: Abandoned dryland farming, sagebrush, oak brush, various grasses and forbs (lower elevations), mountain brush and some pinion-juniper (higher elevations).

Percent Surrounding Vegetative Cover: 35% lower elevations and 50% higher elevations.

Wildlife Concerns: Kennecott is working with Division Wildlife Resources and DOGM in developing a series of pipeline corridor crossings for migrating wildlife species.

Surface Facilities: Phase I & II facilities include: (1) in-pit movable gyratory ore crusher, 54" in-pit ore conveyor (@3300 ft.), (1)-72" main ore conveyor (@4.9 mi.), ore grinding/milling plant, a 7.5 million gallon process water reservoir, (3) storm H2O retention ponds, miscellaneous structures (lime plant, electrical substation, maintenance shop, warehouse, change house and office buildings), (1)-48" flotation feed (tailings) pipeline and (1)-48" process water return pipeline (twin pipeline length @12.5 Mi.), (1) Principle grinding plant access road and (2) construction/service roads for the ore conveyor and tailings pipeline.

Mining and Reclamation Plan Summary: . . .

The following Reclamation Plan Summary was prepared July 16, 1986

During Operations:

1. Construction activities associated with "Phase II" permitting will affect approximately 588 additional disturbed acres of privately owned land. Of this total, 163 acres were previously approved under "Phase I" (i.e., plant site grading and access road construction). The grinding plant site encompasses 115 acres. The access road right-of-way to the plant location involves 48 acres.
2. "Phase II" permitting includes: construction of the new grinding/milling plant facilities, a new in-pit crusher and 54" conveyor, a 72" crushed ore conveyor to the new grinding plant from the pit, a ground ore (flotation feed) pipeline for transport to existing Arthur and Magna flotation facilities, and a second pipeline to recycle process water back to the grinding plant.

3. The conveyor and pipeline corridors will each be 200 feet wide. The 72" ore conveyor corridor is 6,350 feet in length and will involve 30 acres of new surface disturbance. The pipeline corridor, including areas of common pipeline corridor and single pipeline corridor is 86,000 feet in length and will disturb approximately 395 acres. A construction and maintenance road will parallel the conveyor and pipeline corridors.
4. Prior to the removal of cut or the placement of fill along the conveyor and pipeline routes, the upper horizon soil will be removed from all areas to be disturbed. The soil will be stored in stockpiles along the corridors. Erosion control measures will be implemented to minimize topsoil losses. The soil will be stored from one (1) to three (3) years. Upon completion of construction, stored soil will be placed on the remaining exposed ground, fertilized and reseeded during the fall season.

After Operations:

Kennecott will implement the following reclamation plan upon termination of all mining activities associated with the UCD Modernization Project:

1. Salvageable equipment will be dismantled and sold, surface structures will be razed, foundations, parking and driving surfaces will be broken up, removed and/or buried. The disturbed areas will be stabilized and regraded to conform with the surrounding natural terrain.
2. Kennecott will not store first horizon soil for final reclamation use. Instead, Kennecott with assistance from the State Division of Oil, Gas and Mining will establish a test plot revegetation program to determine best techniques for supplementing and reclaiming the second horizon soil material.
3. Standard agronomic practices will be used to prepare the seedbed for drill and/or broadcast seeding. It is anticipated that the disturbed areas will be reclaimed principally with native vegetative species.

The Reclamation Plan Summary was amended April 21, 1987 to the following:

During Operations:

Kennecott has evaluated several alternatives for modernization of the Utah Copper Division (UCD) flotation and recovery facilities to improve productivity and reduce operating costs. The selected alternative is to construct new flotation and molybdenum recovery units at the Copperton grinding/concentrator plant site. These new facilities will replace corresponding sections of the existing Magna and Arthur flotation and molybdenum recovery plants.

The proposed flotation and molybdenum recovery facilities will be located at the Copperton grinding/concentrator plant, approximately one mile north of the town of Copperton in the southwest section of Salt Lake County. The site is approximately 25 miles southwest of Salt Lake City and is near Kennecott's Bingham Canyon Mine (see Figure 1).

Changes to previously approved facilities and additional facilities to be constructed at the Copperton site within the approved permit area include:

1. A new flotation circuit will be constructed consisting of approximately 63 flotation cells to separate the copper and by-product minerals from the non-value material.
2. A new molybdenum recovery plant will be constructed to separate and concentrate the molybdenite from the copper-molybdenum concentrate.
3. Copper concentrate slurry will be pumped from the Copperton plant to the existing Utah smelter through a new five inch steel pipeline. Most of this pipeline will be buried along the same corridor as the ore slurry pipeline and the return water pipeline. A passive cathodic protection system will be provided for corrosion protection.
4. The 48-inch ore slurry pipeline now under construction, will be utilized without modification to transport final flotation tailings by gravity to the existing tailings pond near Magna.
5. The previously approved Zone III retention pond will have adequate capacity to contain any spillage or emergency discharges from the grinding, flotation and molybdenum circuits that may occur due to unexpected shutdown in addition to the storm runoff volume generated from a 10 year-24 hour precipitation event.

Following Operations:

Upon termination of mining activities associated with this project amendment, the operator will implement the reclamation plan as outlined in the approved permit application (dated September 23, 1986) for the entire UCD Modernization Project.

Variance Granted:

None requested, or warranted for this permit amendment.

Remaining Conditions:

The operator has adequately addressed all of the conditions as outlined in the Division's January 12, 1987 tentative approval letter. No conditions remain to be resolved for this amendment request.

Surety:

Amount: \$10,429,000 (2000 dollars)

Form: Surety Bond - American Home Assurance Company & United States Fidelity and Guaranty Co.

Renewable Term: 5 year

SURETY ESTIMATE UPDATE

Kennecott Bingham Canyon Mining Company

filename m35-11up.wb2

UCD Modernization Project

Last Update

11/07/95

M/035/011

Salt Lake County

Prepared by Utah Division of Oil, Gas & Mining

DESCRIPTION:

- This surety update is due to a change in company name & a change in surety company
 - No modifications are being made to the approved plan at this time
 - Surety estimate for Phase I & II was \$5,982,948 in 1986-\$
 - Surety estimate for Flotation/Molybdenum facilities was \$1,643,000 in 1986-\$
 - Combining these surety amounts gives a total of \$7,625,948 in 1986-\$
 - The 1986-\$ total is escalated to 1995-\$ using the actual escalation factors shown
 - This 1995-\$ figure is escalated five years forward to the year 2000-\$
 - Escalation factors through 1994 are actual Means Historical Cost Indices
 - Total disturbed area = 588 ACRES
-

CALCULATIONS

	YR	ESCAL FACTOR	BOND AMOUNT	
$F = P(1 + i)^{**n}$	1985	0.0290	\$0	
	1986	0.0210	\$7,625,948	base amount
F = Future Sum	1987	0.0195	\$7,774,654	
P = Present Sum	1988	0.0181	\$7,915,375	
i = Escalation Factor	1989	0.0177	\$8,055,477	
n = number of periods	1990	0.0077	\$8,117,505	
	1991	0.0127	\$8,220,597	
	1992	0.0221	\$8,402,272	
	1993	0.0261	\$8,621,571	
	1994	0.0321	\$8,898,324	
Three Yr Average = 2.68%	1995	0.0268	\$9,136,799	
Used to Project 5 Yrs	1996	0.0268	\$9,381,665	
Into the Future	1997	0.0268	\$9,633,094	
From the Year 1995	1998	0.0268	\$9,891,261	
	1999	0.0268	\$10,156,346	
	2000	0.0268	\$10,428,536	

Updated Surety Amount Rounded (2000-\$)

\$10,429,000

Average cost per acre =

\$17,736 (\$/ACRE)

Kennecott Corporation
10 East South Temple
P.O. Box 11248
Salt Lake City, Utah 84147
(801) 322-7000

8 1996

January 5, 1996

Kennecott

Mr. Tony Gallegos
State of Utah, Department of Natural Resources
Division of Oil, Gas and Mining
355 West North Temple
3 Triad Center, Suite 350
Salt Lake City, Utah 84180-1203

RE: File No. M/035/011 New Reclamation Contract and Surety Bond

Dear Tony:

Please find enclosed the new Reclamation Contract and Surety Bond in connection with File No. M/035/011 for the Bingham Canyon Mine - UCD Modernization. We understand that you have had the opportunity to preview these documents in draft form working with Dawn Elton of Poulton Associates, and that you will plan to present them to the DOGM Board at their next meeting on January 24, 1996. As you know, we are proposing a change of sureties on the surety bond.

We respectfully request that the Board issue a release effective January 24, 1996 of the current Safeco Insurance Company bond #5728774, and accept in its place, effective January 24, 1996, the enclosed bond #16-52-29 and 41-0130-72528-95-7 issued by American Home Assurance Company and United States Fidelity and Guaranty Company.

Once the Board has approved this item, please forward to my attention: a notice of release of the old bond and acceptance of the new bond; the original Safeco bond; and a copy of the fully executed Reclamation Contract and Surety Bond. Please contact me at 322-7109 with any questions regarding this matter. Thank you for your assistance.

Very truly yours,

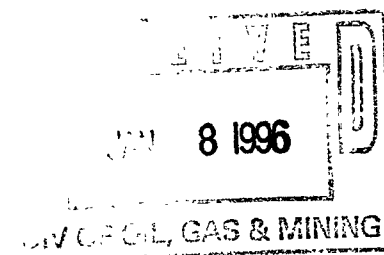


S. D. Burton

Enclosure

cc: K. P. Done (w/o enc.)
Dawn Elton - Poulton Associates (w/o enc.)

STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION of OIL, GAS and MINING
355 West North Temple
3 Triad Center, Suite 350
Salt Lake City, Utah 84180-1203
(801) 538-5340



RECLAMATION CONTRACT

---ooOoo---

For the purpose of this RECLAMATION CONTRACT the terms below are defined as follows:

"NOTICE OF INTENTION" (NOI): (File No.)	<u>M/035/011</u>
(Mineral Mined)	<u>Copper/Molybdenum</u>
"MINE LOCATION":	
(Name of Mine)	<u>Bingham Canyon Mine - UCD Modernization</u>
(Description)	<u>Approximately 15 miles SW of SLC in</u> <u>Salt Lake County</u> <u>8362 W 10200 S, P.O. Box 525, Bingham,</u> <u>Utah 84006-0525</u>
"DISTURBED AREA":	
(Disturbed Acres)	<u>588</u>
(Legal Description)	<u>(refer to Attachment "A")</u>
"OPERATOR":	
(Company or Name)	<u>Kennecott Utah Copper Corporation</u>
(Address)	<u>8315 W 3595 S</u> <u>P.O. Box 6001</u> <u>Magna, Utah 84044-6001</u> <u>(801) 252-3000</u>
(Phone)	

"OPERATOR'S REGISTERED AGENT":

(Name)

CT Corporation System

(Address)

50 W Broadway

Salt Lake City, Utah

84101

(Phone)

(801) 364-1228

"OPERATOR'S OFFICER(S)":

R.R. Dimock/President & Chief Ex. Officer

T.A. Stevenson/Sr. VP & Chief Financial Officer

R.P. Johnson/Treasurer

K.P. Done/Assistant Treasurer

J.R. Welch/Assistant Treasurer

"SURETY":

(Form of Surety - Attachment B)

Surety Bond

"SURETY COMPANY":

(Name, Policy or Acct. No.)

American Home Assurance Company &

United States Fidelity and Guaranty Company

"SURETY AMOUNT":

(Escalated Dollars)

\$10,429,000

"ESCALATION YEAR":

2000

"STATE":

State of Utah

"DIVISION":

Division of Oil, Gas and Mining

"BOARD":

Board of Oil, Gas and Mining

ATTACHMENTS:

A "DISTURBED AREA":

B "SURETY":

This Reclamation Contract (hereinafter referred to as "Contract") is entered into between ~~Kennecott Utah Copper Corporation~~ the "Operator" and the Utah State Board of Oil, Gas and Mining ("Board").

WHEREAS, Operator desires to conduct mining operations under Notice of Intention (NOI) File No. M/035/011 which has been approved by the Utah State Division of Oil, Gas and Mining "Division" under the Utah Mined Land Reclamation Act, Sections 40-8-1 et seq., Utah Code Annotated, (1953, as amended) (hereinafter referred to as "Act") and implementing rules; and

WHEREAS, Operator is obligated to reclaim that area described as the Disturbed Area as set forth and in accordance with Operator's approved Reclamation Plan, and Operator is obligated to provide surety in form and amount approved by the Board, to assure reclamation of the Disturbed Area.

NOW, THEREFORE, the Board and the Operator agree as follows:

1. Operator agrees to conduct reclamation of the Disturbed Area in accordance with the Act and implementing regulations, the original Notice of Intention dated April 21, 1987, and the original Reclamation Plan dated April 21, 1987. The Notice of Intention as amended, and the Reclamation Plan, as amended, are incorporated by this reference and made a part hereof.
2. Concurrent with the execution hereof, Operator has provided surety to assure that reclamation is conducted, in form and amount acceptable to the Board. Such surety as evidenced by the Surety Contract is in the form of the surety attached hereto as Attachment B and made a part hereof. The Surety Contract shall remain in full force and effect according to its terms unless modified by the Board in writing. If the Surety Contract expressly provides for cancellation, then, within 60 days following the Division's receipt of notice that the Surety Company intends to cancel the Surety Contract, the Operator shall provide a replacement Surety Contract in a form and amount reasonably acceptable to the Board. If the Operator fails to provide an acceptable replacement Surety Contract, the Division may order the Operator to cease further mining activities and to begin immediate reclamation of the Disturbed Area.
3. Operator agrees to pay legally determined public liability and property damage claims resulting from mining to the extent provided in Section 40-8-7(1)(e) of the Act.
4. Operator agrees to perform all duties and fulfill all reclamation requirements applicable to the mine as required by the Act and implementing rules, the Notice of Intention, as amended and the Reclamation Plan, as amended.
5. The Operator's liability under this Contract shall continue in full force and effect until the Division certifies that the Operator has reclaimed the Disturbed Area in accordance with the Act and implementing rules, the Notice of Intention, as amended and the Reclamation Plan, as amended.
6. If reclamation of discrete sections of the Disturbed Area is completed to the satisfaction of the Division, and the Division finds that such sections are severable from the remainder of the Disturbed Area, Operator may request the Division to certify that Operator has reclaimed such discrete sections of the Disturbed Area in accordance with the Act and Implementing rules, the Notice of Intention, as

amended and the Reclamation Plan, as amended. If the Division makes such certification, Operator may make request to the (Board) that the aggregate face amount of the Surety Contract provided pursuant to paragraph 2 be reduced to an amount necessary to provide for completion of the remaining reclamation. The (Board) shall hear Operator's request for such reduction in accordance with the Board's Procedural Rules concerning requests for Agency Action.

7. Operator agrees to indemnify and hold harmless the State, Board and the Division from any claim, demand, liability, cost, charge, suit, or obligation of whatsoever nature arising from the failure of Operator or Operator's agents and employees, or contractors to comply with this Contract.
8. Operator may, at any time, submit a request to the Board to substitute surety. The Board, in its sole judgment and discretion, may approve such substitution if the substitute surety meets the requirements of the Act and the implementing rules.
9. This Contract shall be governed and construed in accordance with the laws of the State of Utah.
10. If Operator shall default in the performance of its obligations hereunder, Operator agrees to pay all costs and expenses, including reasonable attorney's fees and costs incurred by the Division and/or the Board in the enforcement of this Contract.
11. Any breach that the Division finds to be material of the provisions of this Contract by Operator may, at the discretion of the Division, result in an order to cease mining operations. After opportunity for notice and hearing, the Board of Oil, Gas and Mining may enter an order to revoke the Notice of Intention, order reclamation, or order forfeiture of the Surety Contract, or take such other action as is authorized by law.
12. In the event of forfeiture of the Surety Contract, Operator shall be liable for any additional costs in excess of the surety amount which are required to comply with this Contract. Any excess monies resulting from forfeiture of the Surety Contract, upon completion of reclamation and compliance with this Contract, shall be returned to the rightful claimant.
13. This Contract including the Notice of Intention, as amended and the Reclamation Plan, as amended, represents the entire agreement of the parties involved, and any modification must be approved in writing by the parties involved.

14. Each signatory below represents that he/she is authorized to execute this Contract on behalf of the named party.

RP JOHNSON / KP DONE

Authorized Officer (Typed or Printed)

RP Johnson / K.P. Done

Authorized Officer's Signature

ATTEST: *SHANNON D. CRUMPTON*
SECRETARY

4 JANUARY 1996
Date TO BE EFFECTIVE AS OF 24 JANUARY 1996

SO AGREED this _____ day of _____, 19____.

AND APPROVED AS TO FORM AND AMOUNT OF SURETY:

BY _____
Dave D. Lauriski, Chairman
Utah State Board of Oil, Gas and Mining

DIVISION OF OIL, GAS AND MINING:

By _____
James W. Carter, Director

_____ Date

STATE OF _____)
_____) ss:
COUNTY OF _____)

On the _____ day of _____, 19 _____, personally
appeared before me, who being duly sworn did say that he/she, the said
_____ is the Director of the Division of
Oil, Gas and Mining, Department of Natural Resources, State of Utah, and he/she
duly acknowledged to me that he/she executed the foregoing document by
authority of law on behalf of the State of Utah.

Notary Public
Residing at: _____

My Commission Expires:

OPERATOR:

Kennecott Utah Copper Corporation
Operator Name

R.P. JOHNSON / K.P. DONE
By TREASURER / ASST TREASURER
Corporate Officer - Position

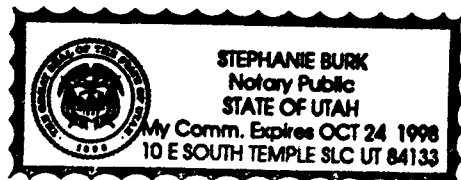
ATTEST: [Signature]
SECRETARY

4 JANUARY 1996
Date TO BE EFFECTIVE 31 JANUARY 1996

[Signature] / K.P. Done
Signature

STATE OF UTAH)
COUNTY OF SALT LAKE) ss:

On the 4th day of JANUARY, 19 96, personally
appeared before me R.P. JOHNSON AND K.P. DONE who
being by me duly sworn did say that ~~they~~ she, the said R.P. JOHNSON AND K.P. DONE
~~are~~ is the TREASURER AND ASST TREASURER of KENNECOTT UTAH COPPER CORPORATION
and duly acknowledged that said instrument was signed on behalf of said company
by authority of its ~~bylaws or a~~ resolution of its board of directors and said
R.P. JOHNSON AND K.P. DONE duly acknowledged to me that said
company executed the same.



Stephanie Burk
Notary Public
Residing at: 10 E. So Temple, Salt Lake City,
UT 84133

October 24, 1998
My Commission Expires:

ATTACHMENT "A"

Kennecott Utah Copper Corporation
Operator

Bingham Canyon Mine - UCD Modernization
Mine Name

M/035/011
Permit Number

Salt Lake County, Utah

The legal description of lands to be disturbed is:

Portions of the

SW 1/4 Section 19; W 1/2 Section 30; Section 21; T1S, R2W.

S 1/2 NE 1/4 Section 23; S 1/2 Section 24; Section 25; NE 1/4,
SE 1/4 Section 36; T1S, R3W.

E 1/2 Section 6; E 1/2 E 1/2 Section 7; W 1/2 NW 1/4 and SW 1/4 Section 8;
SW 1/4 and W 1/2 SE 1/4 Section 16; NW 1/4, SW 1/4, and SE 1/4
Section 17; E 1/2 W 1/2 and W 1/2 E 1/2 Section 21; NW 1/4 Section 28;
Section 29, Section 32; T2S, R2W.

Section 5; E 1/2 NE 1/4 and SE 1/4 Section 6; NE 1/4, SE 1/4 NW 1/4, SW 1/4,
and SE 1/4 Section 7; NW 1/4 NW 1/4 and E 1/2 Section 8; T3S, R2W.

Salt Lake Base and Meridian, Salt Lake County, Utah.

ATTACHMENT B

MR FORM 5
June 7, 1995

and
Bond Number _____
Permit Number M/035/011
Mine Name Bingham Canyon Mine -
UCD Modernization

STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
Division of Oil, Gas and Mining
355 West North Temple
3 Triad Center Suite 350
Salt Lake City, Utah 84180-1203
(801) 538-5340

THE MINED LAND RECLAMATION ACT

SURETY BOND

The undersigned Kennecott Utah Copper Corporation, as Principal, and American Home Assurance Company, and United States Fidelity and Guaranty Company, as Surety, hereby jointly and severally bind ourselves, our heirs, administrators, executors, successors, and assigns, jointly and severally, unto the State of Utah, Division of Oil, Gas and Mining (Division) in the penal sum of Ten Million Four Hundred Twenty Nine Thousand dollars (\$10,429,000).

Principal has estimated in the Mining and Reclamation Plan approved by the Division on the 21st day of April, 1987, that 588 acres of land will be disturbed by mining operation in the State of Utah.

A description of the disturbed land is attached as "Attachment A" to the Reclamation Contract, of which this document is an integral part.

The condition of this obligation is that if the Division determines that Principal has satisfactorily reclaimed the disturbed lands in accordance with the approved Mining and Reclamation Plan and has faithfully performed all requirements of the Mined Land Reclamation Act, and complied with the Rules and Regulations adopted in accordance therewith, then this obligation shall be void; otherwise it shall remain in full force and effect.

If the Mining and Reclamation Plan provides for periodic partial reclamation of the disturbed lands, and if the lands are reclaimed in accordance with such Plan, Act and regulations, then Principal may apply for a reduction in the amount of this Surety Bond.

In the converse, if the Mining and Reclamation Plan provides for a gradual increase in the area disturbed or the extent of disturbance, then, the Division may require that the amount of this Surety Bond be increased, with the written approval of the Surety.

Bond Number _____
Permit Number M/035/011
Mine Name Bingham Canyon Mine -
UCD Modernization

This bond may be canceled by Surety after ninety (90) days following receipt by the Division and Principal of written notice of such cancellation. Surety's liability shall then, at the expiration of said ninety (90) days, cease and terminate except that Surety will remain fully liable for all reclamation obligations of the Principal incurred prior to the date of termination.

Principal and Surety and their successors and assigns agree to guarantee said obligation and to indemnify, defend, and hold harmless the Division from any and all expenses (including attorney fees) which the Division may sustain in the collection of sums due hereunder.

Surety will give prompt notice to Principal and to the Division of the filing of any petition or the commencement of any proceeding relating to the bankruptcy, insolvency, reorganization, or adjustment of the debts of Surety, or alleging any violation or regulatory requirements which could result in suspension or revocation of the Surety's license to do business.

IN WITNESS WHEREOF, the Principal and Surety hereunto set their signatures and seals as of the dates set forth below.

Kennecott Utah Copper Corporation
Principal (Permittee)

R. P. Johnson / K. P. Done
By (Name typed):

Treasurer / Assistant
Title Treasurer

R. P. Johnson / K. P. Done
Signature

4 JANUARY 1996
Date TO BE EFFECTIVE AS OF 04 JANUARY 1996

ATTEST: THOMAS SCHEMPION
SECRETARY

Surety Company American Home Assurance Company and United States
Fidelity and Guaranty Company

Ava M. Walker
Company Officer

January 24, 1996
Date

Attorney-In-Fact
Title/Position

Ava M. Walker
Signature

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MR-5 (revised June 7, 1995)
Attachment B

Bond Number _____
Permit Number M/035/011
Mine Name Bingham Canyon Mine -
UCD Modernization

SO AGREED this _____ day of _____, 19_____.

AND APPROVED AS TO FORM AND AMOUNT OF SURETY:

Dave D. Lauriski, Chairman
Utah State Board of Oil, Gas and Mining

*NOTE: Where one signs by virtue of Power of Attorney for a Surety, such Power of Attorney must be filed with this bond. If the Operator is a corporation, the bond shall be executed by its duly authorized officer.